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CASE – Centrum Analiz Społeczno-Ekonomicznych
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The Catalan Economy: Crisis, Recovery and Policy Challenges

145th mBank-CASE Seminar

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Overview of the presentation

1. Catalonia: Territory and population
2. A short description of the Catalan economy
3. Analysis of the evolution of the Catalan economy (2000-16): euphoria, crisis and recovery
4. Economic policy challenges: increasing productivity and competitiveness and improving social progress
5. Conclusions

1. Catalonia: territory and population



1. Catalonia: territory and population

Catalonia 32.000 square kilometers

6.3 per cent of Spanish total

≈ Belgium

≈ one tenth of Poland

1. Catalonia: territory and population

Catalonia 7.4 million people

16.1 per cent of Spanish total

≈ Bulgaria

≈ 20 per cent of Poland

1. Catalonia: territory and population

Facts about Catalan population

- High density
- High concentration
- High levels of immigration

2. A short description of the Catalan economy

GDP at current prices 2014

18.9 per cent of Spanish total

≈ Finland, Ireland

≈ 50 per cent of Poland

2. A short description of the Catalan economy

GDP per capita (at purchasing power parity) 2014

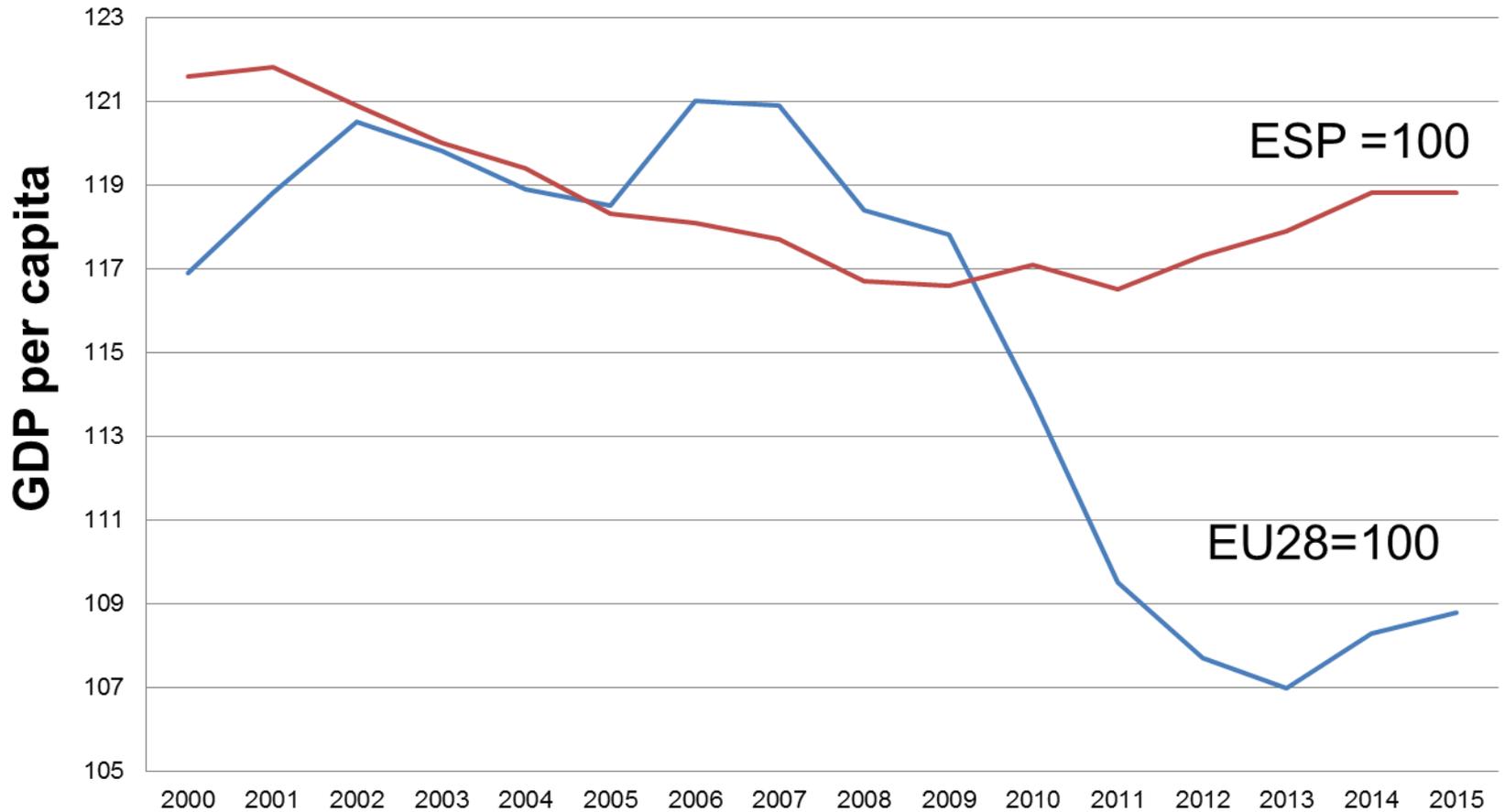
18.8 per cent above Spain

8.8 per cent above EU28

≈ France, United Kingdom

60 per cent above Poland

Figure 1. Despite the crisis, Catalonia still richer than the EU28



2. A short description of the Catalan economy

Table 1. Weight of the different economic sectors

Gross Value Added distribution (2015)				
	Catalonia	Spain	EU28	Poland
Agriculture, forestry and fisheries	0.9	2.6	1.5	2.8
Industry	19.6	18.0	19.2	26.1
Construction	4.7	5.6	5.4	8.1
Services	74.8	73.8	73.9	63.0

Source: Eurostat and Generalitat de Catalunya

Figure 2. Catalan exports to the ROW by partner (% over total)

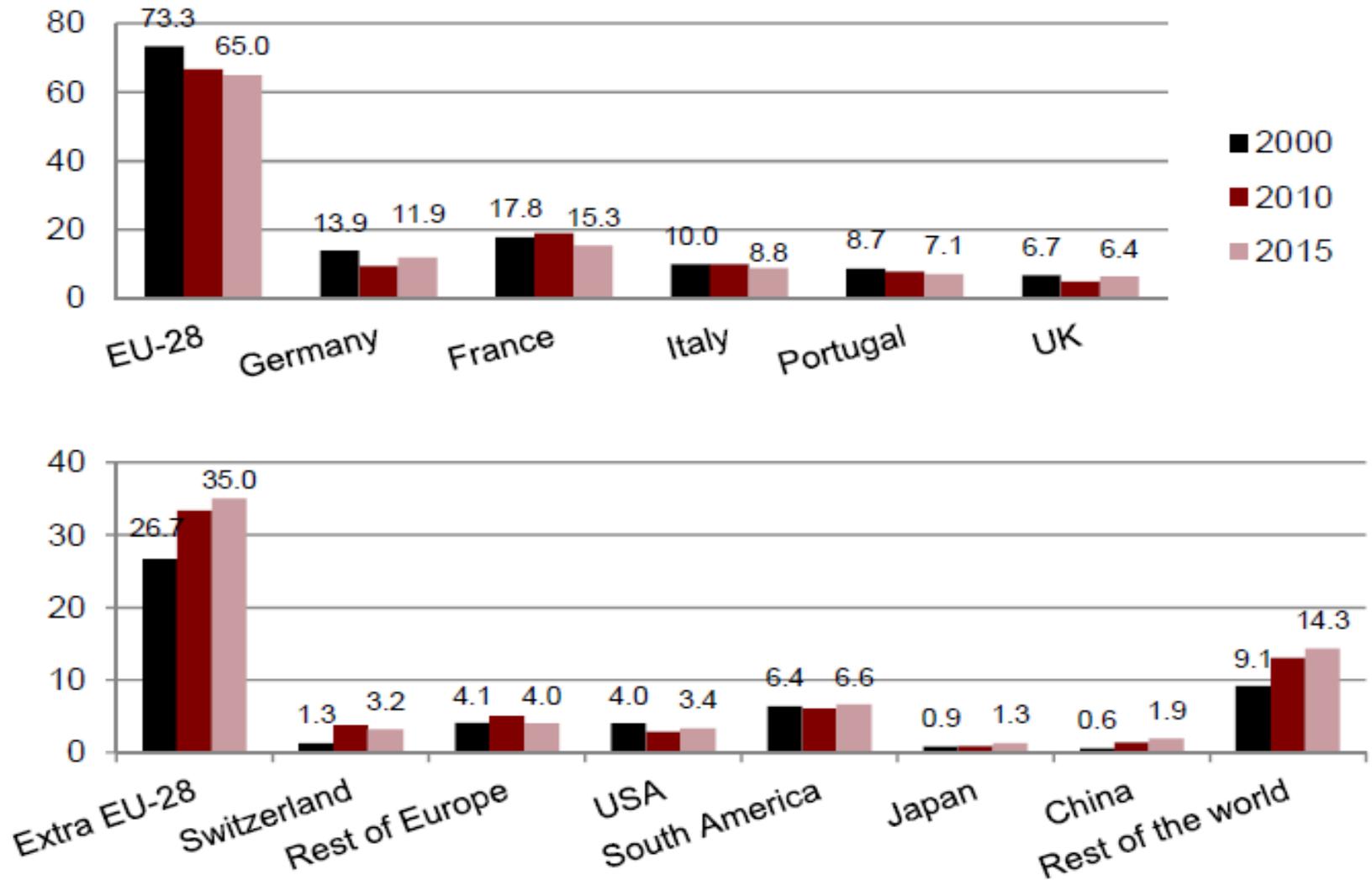


Figure 3. FDI inflows in Catalonia (million euros)

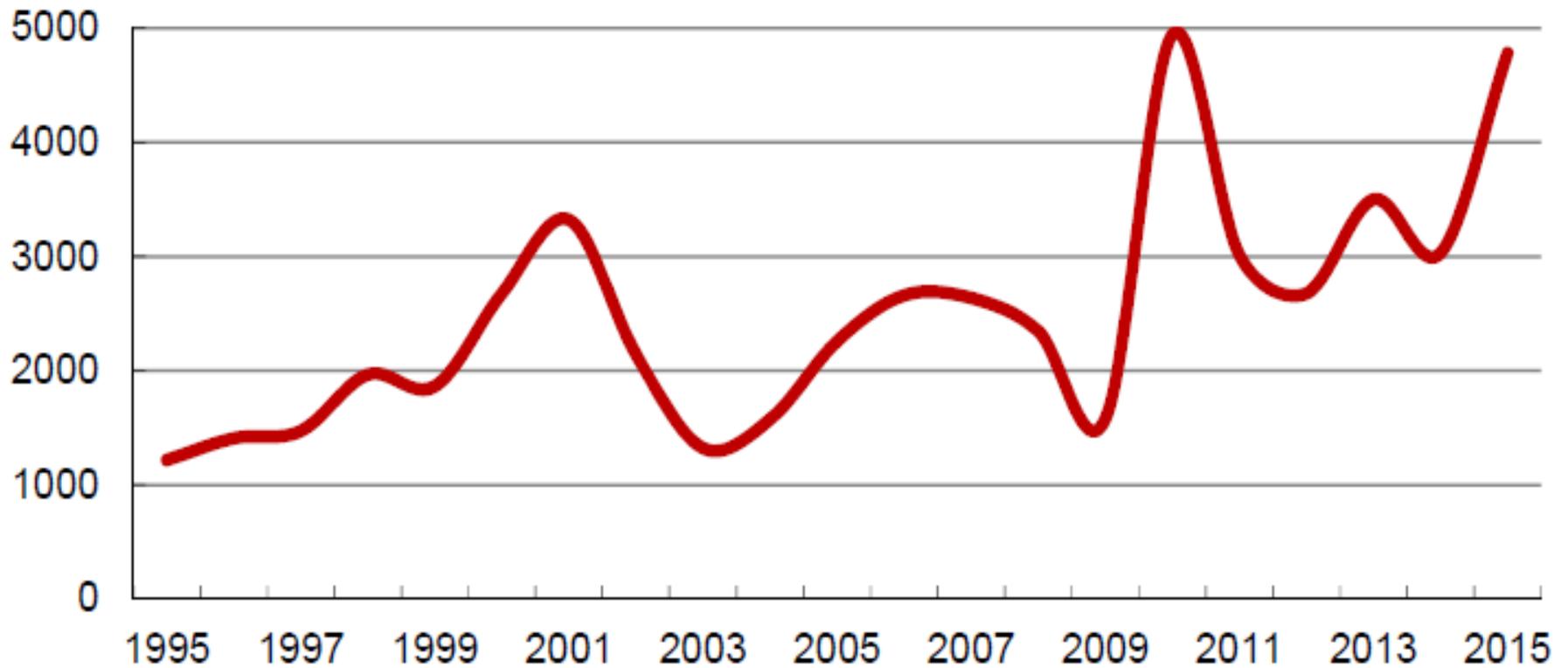


Figure 6. Unemployment rates, 2001-2015

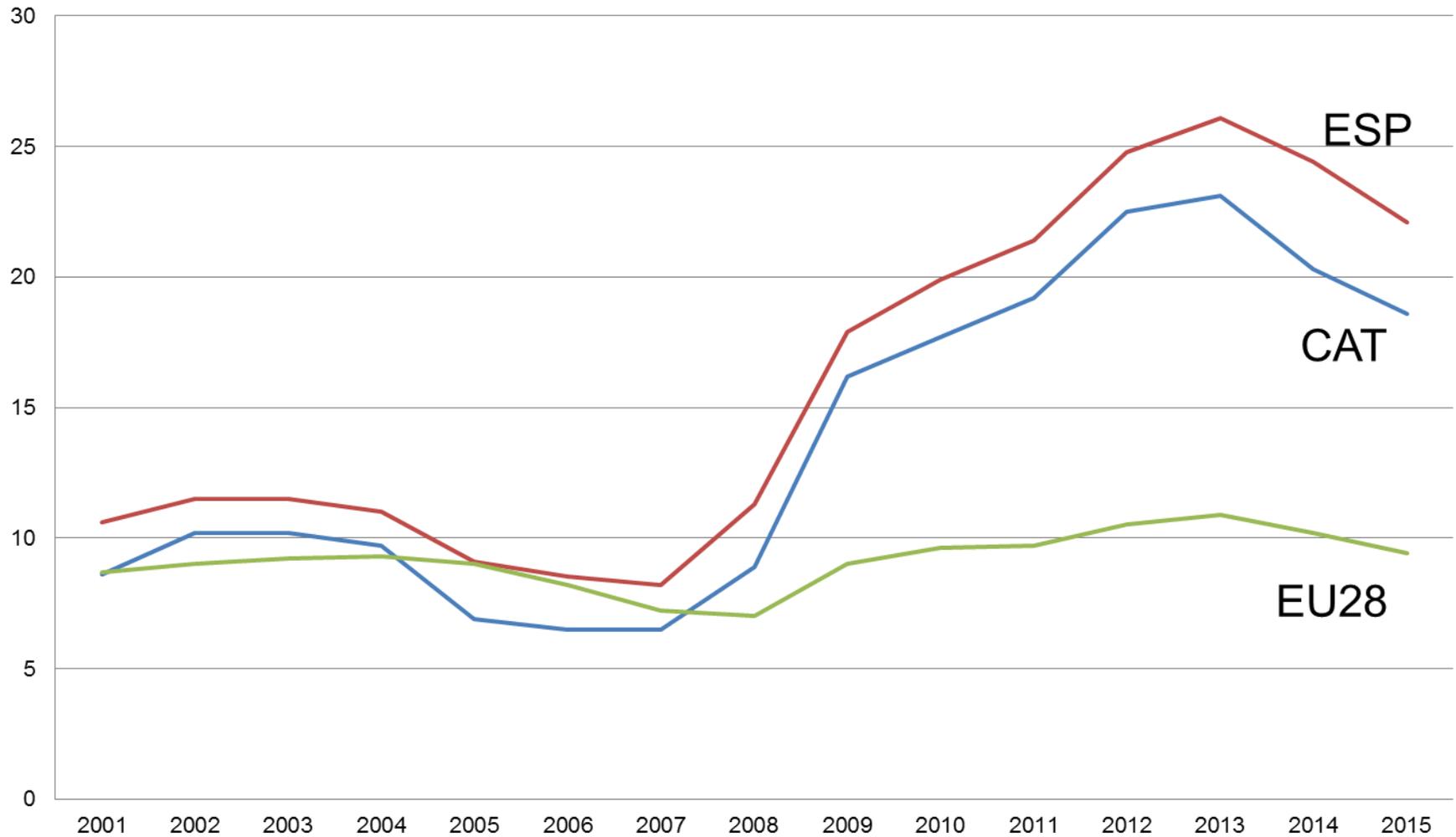


Table 3. Income distribution (2015)

Measure	Catalonia	Spain	EU28	Poland
Gini coefficient of disposable income	32.3	34.6	30.0 (2014)	30.8 (2014)
S80/S20 income quintile share ratio	6.0	6.9	5.2 (2014)	4.9 (2014)

Source: Eurostat and Idescat

Table 4. Poverty and social exclusion (2015)

Measure	Catalonia	Spain	EU28	Poland
AROPE	23.5	28.6	24.4 (2014)	24.7 (2014)

Source: Eurostat and Idescat

3. Analysis of the evolution of the Catalan economy (2000-16)

Miracle (1999-2008)

Collapse (2009-13)

Recovery (2014-16)

Figure 4. GDP growth 2001-15

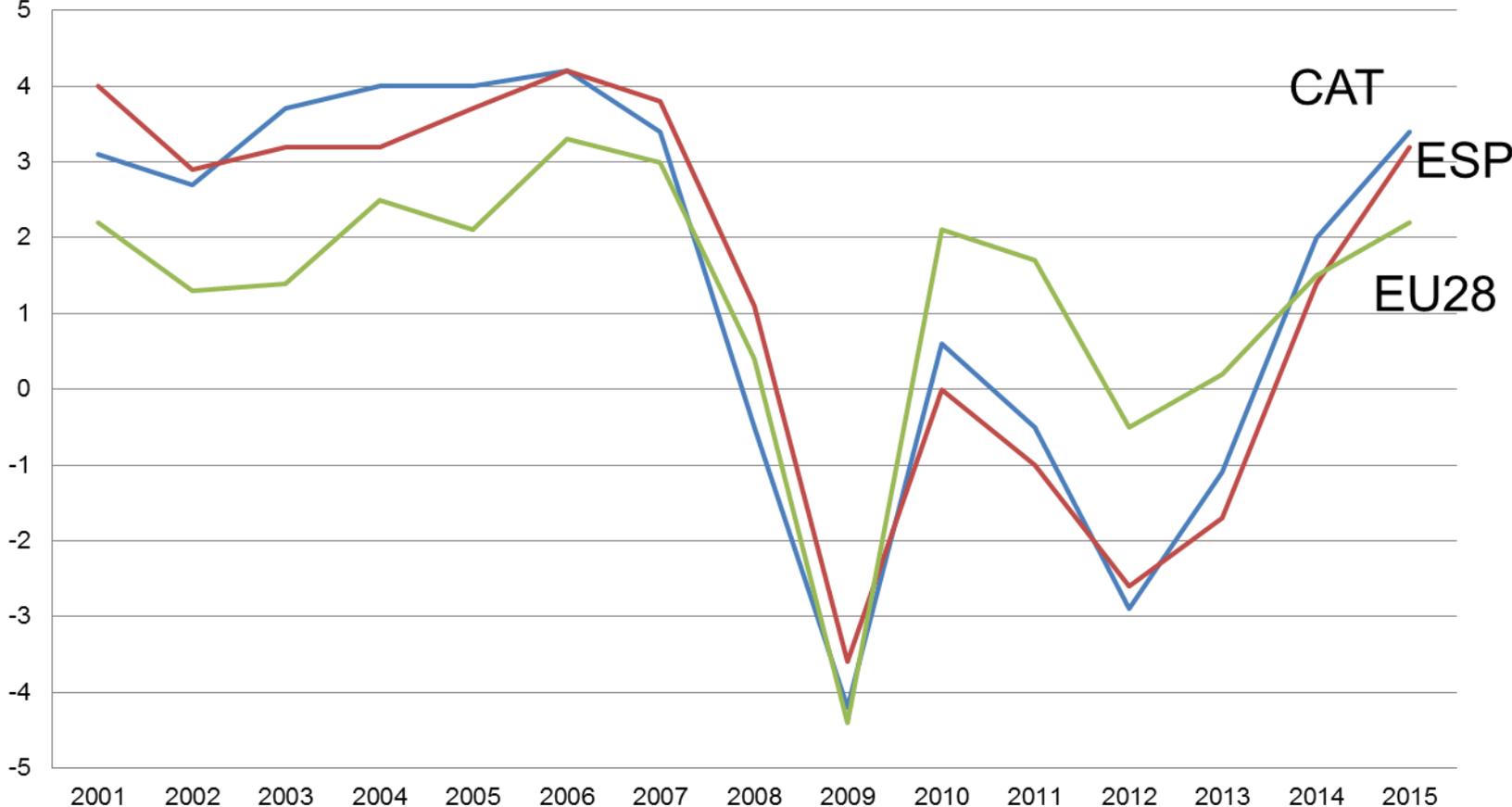
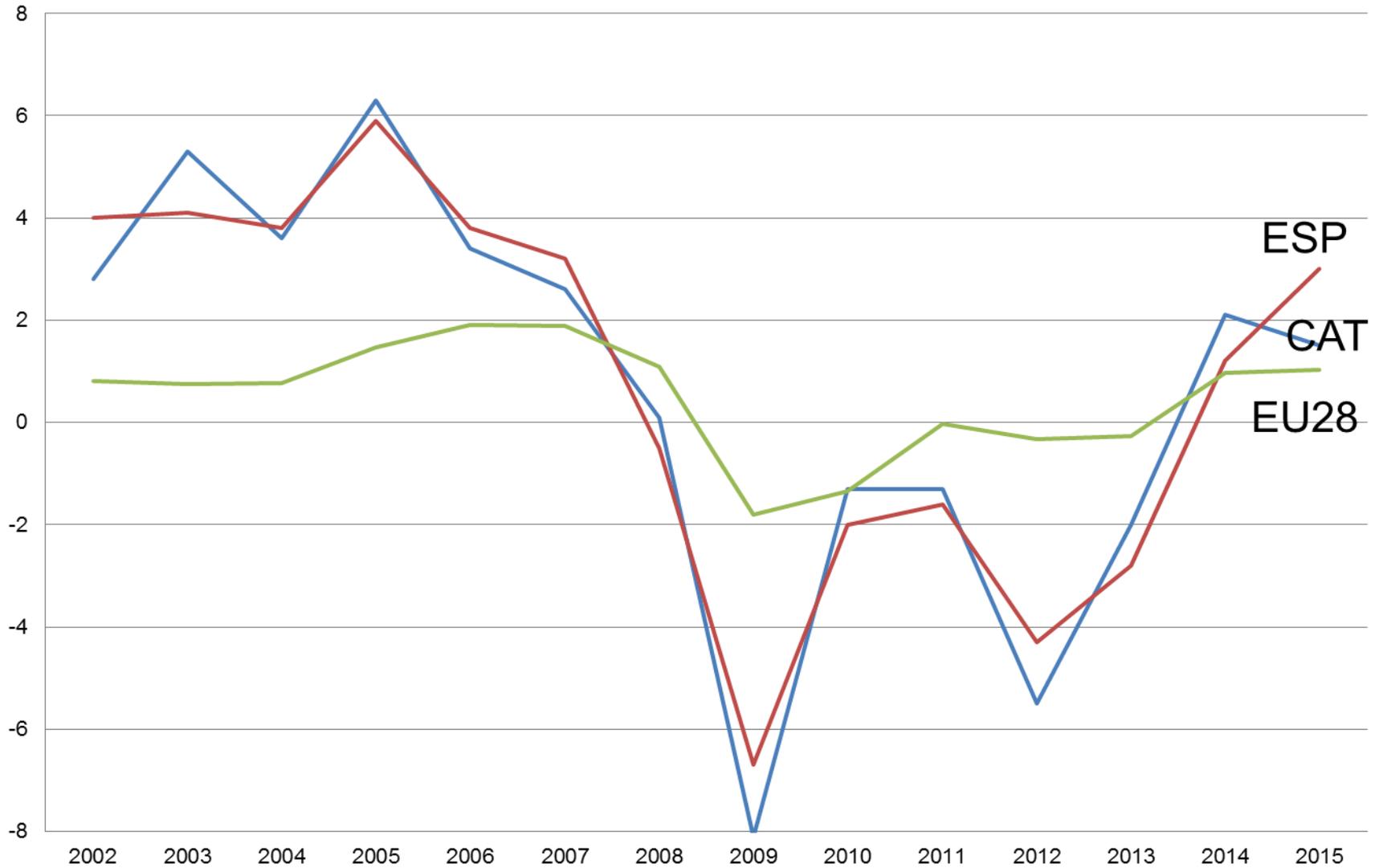


Figure 5. Employment growth 2002-15



3. Analysis of the evolution of the Catalan economy (2000-16)

1999-2008 - Favourable macroeconomic context:

- Monetary policy
- Fiscal stability
- Low real interest rates
- Vanishing risk premium

3. Analysis of the evolution of the Catalan economy (2000-16)

Macroeconomic imbalances:

- Current account deficit
 - Construction boom and “bubble” in the real estate sector
 - Leverage process of the private sector
- + Loss of competitiveness

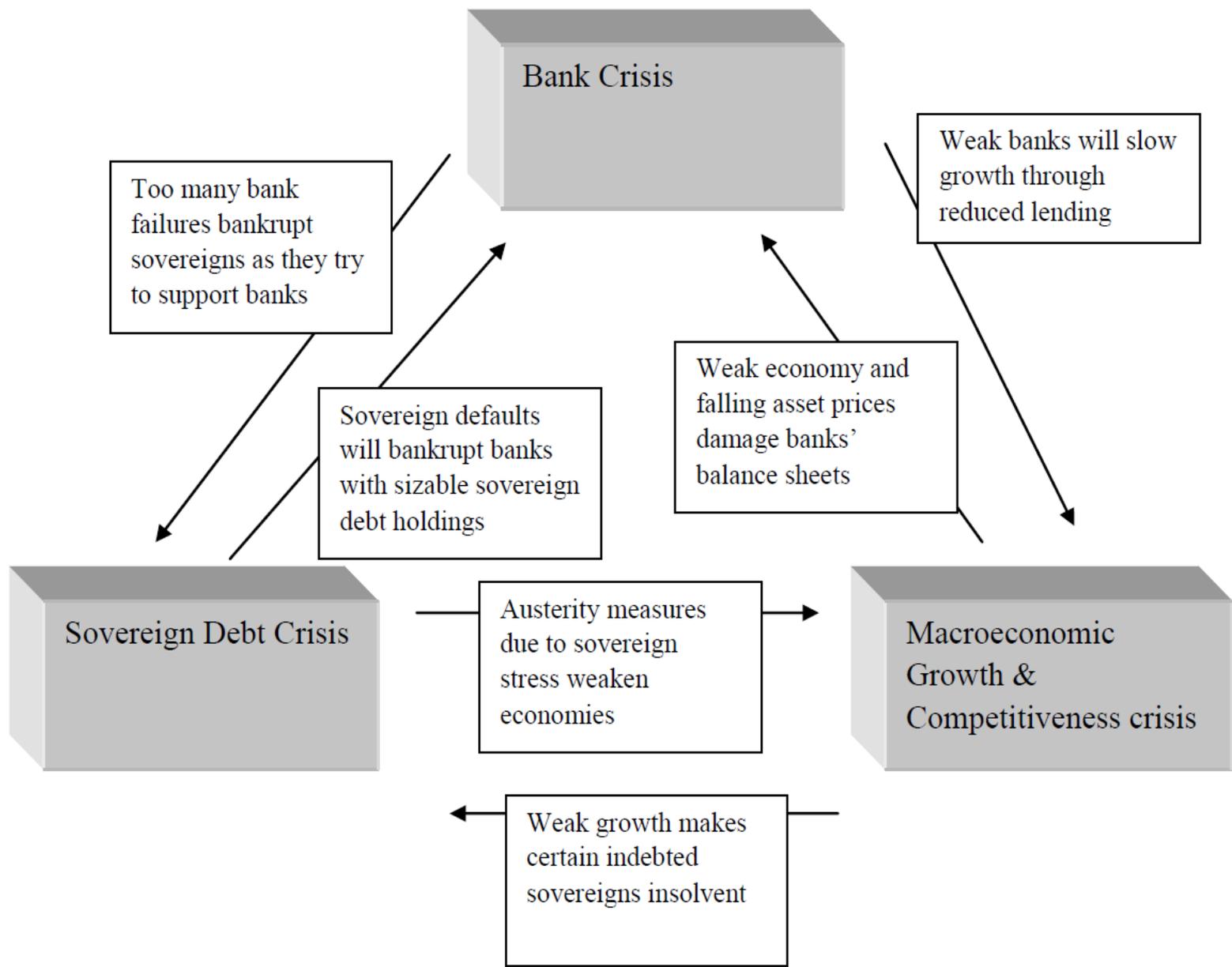
3. Analysis of the evolution of the Catalan economy (2000-16)

2009-2014 – Crisis and adjustment process:

Banking crisis

Fiscal crisis

Growth crisis



Source: Shambaugh (2012)

3. Analysis of the evolution of the Catalan economy (2000-16)

2009-2013 – Policy options:

The fiscal policy dilemma

Some needed structural reforms

3. Analysis of the evolution of the Catalan economy (2000-16)

2014-2016 – Recovery: Will it last?

The role of the ECB

The still pending fiscal adjustment

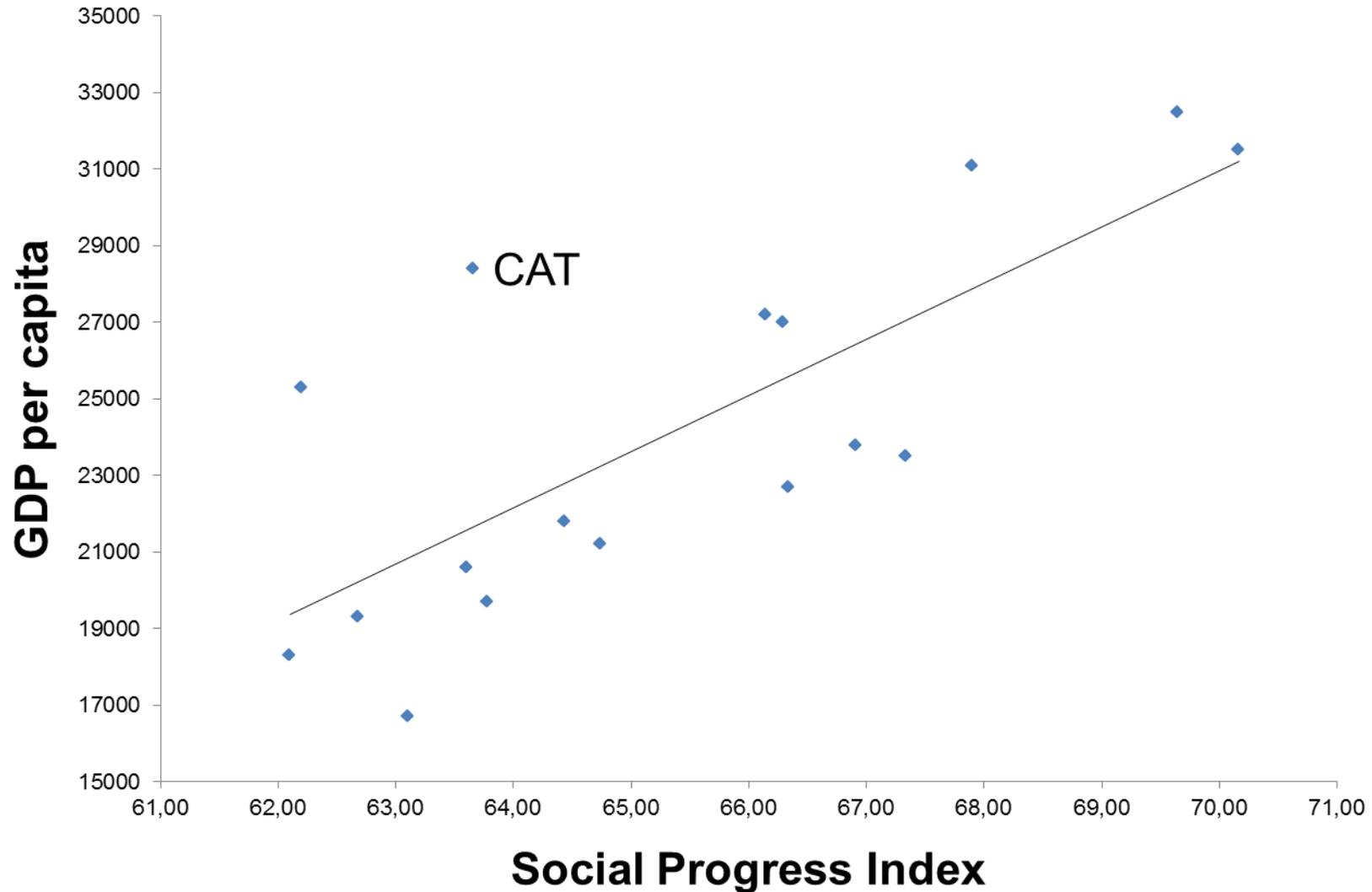
How deep the structural reforms?

4. Economic policy challenges

1) Increase productivity and competitiveness

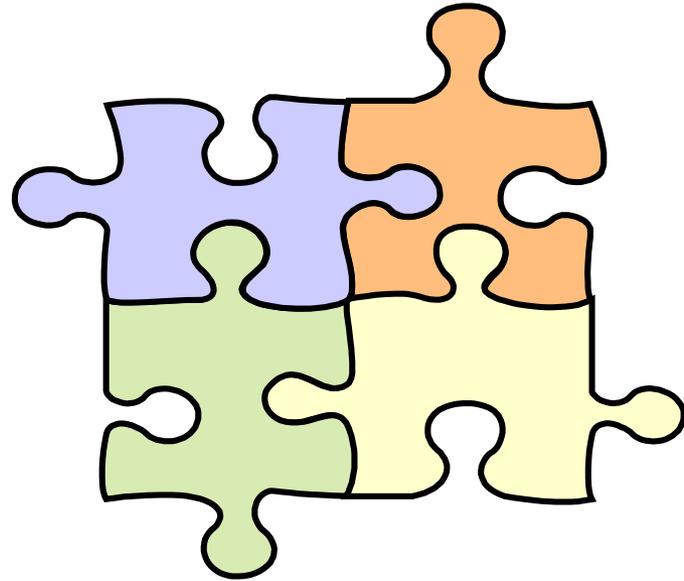
2) Improve the levels of social progress

Figure 9. GDP per capita and Social Progress Index in Spain



5. Conclusions

- After a painful recession (2009-13), the Catalan economy is finally recovering since 2014.
- Economic policy should focus on improving the levels of productivity and the quality of jobs created. This will require both structural reforms and the investment of resources to change the growth model of the economy.
- The levels of social progress in the region are relatively low given its prosperity. This might be one of the keys of the ongoing political debate.



Thanks for your attention